

13.10.12

CURRENT WHOLLY-OWNED SUBSIDIARIES OF  
UNION PACIFIC RAILROAD COMPANY

<u>Name</u>	<u>Incorporation</u>	<u>Ownership</u>
The St. Joseph and Grand Island Railway Company	Kansas, February 23, 1897	Union Pacific -- 99%
Union Pacific Freight Services Company	Utah, March 24, 1982	Union Pacific -- 100%
Union Pacific Fruit Express Company	Utah, December 7, 1977	Union Pacific -- 100%
Union Pacific Motor Freight Company	Nebraska, April 24, 1948	Union Pacific Railroad -- 100%

CORPORATIONS MERGED INTO  
UNION PACIFIC RAILROAD COMPANY IN PAST 4 YEARS

<u>Name</u>	<u>Incorporation</u>	<u>Ownership</u>
Des Chutes Railroad Company	Oregon, February 2, 1906	Merged into OSLR December 29, 1987
Los Angeles & Salt Lake Railroad Company	Utah, March 20, 1901	Merged into Union Pacific Railroad, December 31, 1987
Mount Hood Railway Company	Oregon, April 30, 1968	Merged into Union Pacific Railroad, December 31, 1987
Oregon Short Line Railroad Company	Utah, February 9, 1897	Merged into Union Pacific Railroad, December 30, 1987
Oregon-Washington Railroad & Navigation Company	Oregon, November 23, 1910	Merged into OSLR, December 29, 1987
Sacramento Northern Railway	California, February 14, 1978	Merged into Western Pacific Railroad, June 15, 1987
Spokane International Railroad Company	Washington, April 1, 1941	Merged into Union Pacific Railroad, December 31, 1987



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<u>Name</u>	<u>Incorporation</u>	<u>Ownership</u>
Tidewater Southern Railway Company	California, February 14, 1978	Merged into Western Pacific Railroad, June 15, 1987
The Western Pacific Railroad Company	Delaware, February 13, 1978	Merged into Union Pacific Railroad, June 16, 1987
Yakima Valley Transportation Company	Washington, July 1, 1907	Merged into OSLR, December 29, 1987

## UNION PACIFIC RAILROAD COMPANY

Incorporated Utah, July 1, 1897, for 50 years. Articles amended May 8, 1945, extending existence for 50 years to 1997. Further amended June 24, 1971, extending existence in perpetuity.

Capital Stock:	<u>Authorized</u>	<u>Issued</u>	<u>Par Value</u>
Common	30,000,000	22,428,715	\$10
Preferred	20,000,000	0	\$10

All owned by Pacific Rail System, Inc.

Annual Meeting of Stockholders: Salt Lake City, Utah, third Friday in April at 11:00 A. M., or such other place and/or time as ordered by the Board of Directors or Executive Committee. Notice to be given not less than 10 nor more than 50 days prior thereto.

Board of Directors meets last Thursday in each month except March, June, August and December at 9:30 A.M.

Principal Place of Business: 1416 Dodge Street  
Omaha, Nebraska 68179

Directors

R. P. Bauman	London, England	J. R. Meyer	Cambridge, MA
E. V. Conway	New York	H. B. Mitchell	New York
S. F. Eccles	Salt Lake City	E. L. Palmer	New York
J. B. Fery	Boise, ID	T. A. Reynolds, Jr.	Chicago, IL
E. T. Gerry, Jr.	New York	J. D. Robinson,	New York
J. R. Hope	Washington, DC	III	
L. M. Jones	New York, NY	R. W. Roth	Portland, OR
H. A. Kissinger	New York, NY	W. M. Shapleigh	St. Louis, MO
Drew Lewis	Bethlehem	R. D. Simmons	Washington, DC
		M. H. Walsh	Omaha

Executive Committee

\* Drew Lewis                      M. H. Walsh

Audit Committee

S. F. Eccles  
E. T. Gerry, Jr.  
J. R. Hope  
L. M. Jones  
J. R. Meyer  
T. A. Reynolds, Jr.  
\*R. W. Roth  
W. M. Shapleigh

Compensation and  
Benefits Committee

R. P. Bauman	H. A. Kissinger
**E. V. Conway	**H. B. Mitchell
J. R. Hope	T. A. Reynolds, Jr.
L. M. Jones	W. M. Shapleigh
	R. D. Simmons

\* Chairman

\*\* Co-Chairman

Officers

M. H. Walsh	Chairman of the Board and Chief Executive Officer	Omaha
Drew Lewis	Chairman of the Executive Committee	Bethlehem
C. E. Billingsley	Chief Accounting Officer	Bethlehem
L. W. Matthews, III	Chief Financial Officer	Bethlehem
R. K. Davidson	Executive Vice President- Operation	Omaha
F. B. Henderson	Executive Vice President- Marketing and Sales	Omaha
R. A. Ames	Vice President-Finance	Omaha
W. A. Bales	Vice President-Supply	Omaha
J. R. Colvin, Jr.	Vice President-Marketing	Omaha
J. V. Dolan	Vice President-Law	Omaha
J. E. Dowling	Vice President-Financial Administration	Bethlehem
J. P. Halan	Vice President-Employee Relations	Bethlehem
W. F. Hillebrandt	Vice President-Customer Ser- vice	Omaha
M. F. Kelly	Vice President-Transportation Services	Omaha
J. M. Kyle, III	Vice President	Baton Rouge, LA
S. J. McLaughlin	Vice President-Engineering Services	Omaha
J. R. Mendenhall	Vice President-Taxes	Bethlehem
K. Morrill	Vice President-Sales	St. Louis
J. H. Rebensdorf	Vice President-Strategic Planning	Omaha
A. L. Shoener	Vice President-Field Opera- tions	Omaha
G. S. Sines	Vice President-Information and Communication Systems	Omaha
T. L. Watts	Vice President-Labor Relations & Personnel	Omaha
C. W. von Bernuth	Vice President and General Counsel	Bethlehem
C. N. Olsen	Secretary	Bethlehem
G. M. Stuart	Treasurer	Bethlehem
W. T. Higginbotham	Senior Assistant Vice Presi- dent-Sales Special Projects	Omaha
C. Aadnesen	Assistant Vice President- Administration & Personnel Services	Omaha
H. L. Arms	Assistant Vice President- Energy	Omaha
J. R. Bateman	Assistant Vice President- Government Affairs	Omaha
P. A. Conley, Jr.	Assistant Vice President-Law	Omaha
C. E. Dettmann	Assistant Vice President- Service Design	Omaha
C. R. Eisele	Assistant Vice President- Finance	Omaha
A. C. Getz	Assistant Vice President- Controller	Omaha
D. J. Glass	Assistant Vice President- Autos	Omaha



Officers (con't.)

G. T. Graham	Assistant Vice President- Support Services	Omaha
J. J. Habraken	Assistant Vice President- Intermodal and Refrigeration Services	Omaha
C. P. Hughes	Assistant Vice President- Administration, Budgets, and Training	Omaha
J. J. Koraleski	Assistant Vice President- Financial Analysis	Omaha
J. J. Marchant	Assistant Vice President- Labor Relations	Omaha
E. C. May	Assistant Vice President- Support Services	Omaha
J. D. Merrick	Assistant Vice President- Communication Systems	Omaha
D. Collier	Assistant Vice President- Grain and Grain Products	Omaha
L. P. Prier	Assistant Vice President- Casualty Management	Omaha
S. W. Read, III	Assistant Vice President- Litigation	Omaha
J. W. Rettie	Assistant Vice President- Operations Research	Omaha
D. H. Rettinger	Assistant Vice President- Purchasing	Omaha
H. W. Ritter	Assistant Vice President- Safety Services and Opera- tions Practices	Omaha
W. J. Rody	Assistant Vice President- Sales	Omaha
B. R. Schuman	Assistant Vice President- Human Resources	Omaha
J. E. Sims	Assistant Vice President- Chemicals	Omaha
J. C. Sirois	Assistant Vice President- Market Planning and Support	Omaha
D. W. Veidt	Assistant Vice President- Forest Products	Omaha
L. B. Williams	Assistant Vice President- Information Systems	Omaha
R. B. Schoultz	Executive Assistant	Omaha
J. D. Douglas	Assistant Controller	Bethlehem
J. Edwards	Assistant Treasurer	Bethlehem
J. B. Larsen	Assistant Treasurer	Bethlehem
J. W. Leahy	Assistant Treasurer	Bethlehem
A. L. Roth	Assistant Treasurer	Omaha
E. A. Willis	Assistant Treasurer	Bethlehem
J. J. Adams	Assistant Secretary	Omaha
J. M. McCullough	Assistant Secretary	Salt Lake City
K. D. Petersen	Assistant Secretary	Omaha
T. F. Poatsy, Jr.	Assistant Secretary	Bethlehem
C. W. Saylor	Assistant Secretary	Omaha
J. L. Swantak	Assistant Secretary	Bethlehem
T. E. Whitaker	Assistant Secretary	Bethlehem
K. T. Borman	General Solicitor	Kansas City, MO
S. A. Goodsell	General Solicitor	Salt Lake City
M. L. Whitcomb	General Solicitor	Los Angeles

Officers (con't.)

R. J. Ressler	Assistant General Counsel	Bethlehem
R. A. Bevil	Associate General Tax Counsel	Bethlehem
J. E. Bromley	Manager Media Relations- Public Relations	Omaha
E. L. Butler	General Director, Security and Special Service	Omaha

Transfer and Dividend Disbursing Agent

First Chicago Trust Company  
of New York

New York

Agents

H. H. Friday	Resident Agent-Arkansas	Little Rock
R. S. Rost	Resident Agent-California	Los Angeles
A. McKerron	Attorney in Fact-Province of Alberta, Canada	Calgary
C. Willing Browne	Registered Agent-Colorado	Denver
Kunkel Transporta- tion Services, Inc.	Registered Agent-District of Columbia	Washington, D.C.
F. L. Ringe	Registered Agent-Idaho	Pocatello
J. W. Kissel	Registered Agent-Illinois	Chicago
M. S. Telpner	Registered Agent-Iowa	Council Bluffs
C. D. MacAtee	Registered Agent-Kansas	Topeka
C. E. Enggas	Registered Agent-Missouri	Kansas City
R. D. Corette	Resident Agent-Montana	Butte
J. V. Dolan	Registered Agent-Nebraska	Omaha
J. F. Pico	Resident Agent-Nevada	Las Vegas
R. F. Priestley	Registered Agent-New Jersey	Newark
K. T. Borman	Registered Agent-Oregon	Portland
S. A. Goodsell	Registered Agent-Utah	Salt Lake City
W. J. Walsh, Jr.	Registered Agent-Washington	Seattle
F. G. Loomis	Registered Agent-Wyoming	Cheyenne

CORPORATIONS FORMING OREGON-WASHINGTON  
RAILROAD & NAVIGATION COMPANY

<u>No.</u>	<u>Name</u>	<u>Incorporation</u>	<u>Succession</u>
1	Oregon-Washington Railroad & Navigation Company	Oregon, November 23, 1910	Merged into Oregon Short Line Railroad Company December 29, 1987
2	Northwestern Railroad Company	Oregon, May 12, 1906	Date of Sale to No. 1, December 23, 1910, October 16, 1911
3	Oregon & Washington Railroad Company	Oregon, May 12, 1906	Deeds of Sale to No. 1, December 23, 1910 and January 17, 1911
4	Umatilla Central Railroad Company	Oregon, May 24, 1906	Deed of Sale to No. 1, December 23, 1910
5	Lake Creek & Coeur D'Alene Railroad Company	Oregon, July 26, 1906	Deed of Sale to No. 1, December 23, 1910
6	Ilwaco Railroad Company	Oregon, May 6, 1907	Deed of Sale to No. 1, December 23, 1910
7	Malhaeur Valley Railway Company	Oregon, January 26, 1906	Deed of Sale to No. 1, December 23, 1910
8	Columbia River & Oregon Central Railroad Company	Oregon, August 22, 1903	Deed of Sale to No. 1, December 23, 1910
9	Columbia Southern Railway Company	Oregon, March 5, 1897	Deed of Sale to No. 1, December 23, 1910
10	The North Coast Railroad Company	Washington, April 14, 1906	Deed of Sale to No. 1, December 23, 1910
11	Spokane Union Depot Company	Oregon, December 10, 1900	Deed of Sale to No. 1, December 23, 1910

<u>No.</u>	<u>Name</u>	<u>Incorporation</u>	<u>Succession</u>
12	Washington Northern Railway Company	Washington, February 6, 1906	Deed of Sale to No. 3, May 26, 1906
13	Grays Harbor and Puget Sound Railway Company	Washington, May 31, 1906	Deed of Sale to No. 3, June 27, 1910
14	Olympia Terminal Railway Company	Washington, September 6, 1911	Deed of Sale to No. 1, December 31, 1915
15	Columbia Valley Railroad Company	Washington, February 16, 1899	Deed of Sale to No. 6, June 3, 1907
16	The Vale and Malheur Valley Railway Company	Oregon, June 28, 1905	Sale of assets to No. 7, September 10, 1906
17	Oregon Southern Railway Company	Oregon, April 2, 1900	Deed of Sale to No. 8, September 29, 1904
18	North Coast Railway	Washington, September 28, 1905	Deed of Sale to No. 10, October 11, 1906
19	Robert E. Strahorn and Carrie Strahorn, His Wife	NA	Deed dated January 20, 1908, conveyed the real and personal property acquired by Deeds dated March 29, 1906 from Spokane-Columbia River Railroad and Navigation Company to No. 10
20	Winslow S. Pierce, Trustee and Grace W. Pierce, His Wife	NA	Deed dated March 22, 1901 conveyed to No. 11, the railroad and terminal property known as The Union Depot Property at Spokane, Washington
21	Oregon, Washington & Idaho Railroad Company	Oregon, August 8, 1903	Deed of Sale to No. 1, December 23, 1910
22	The East Side Railway Company	Washington, February 18, 1896	Deed of Sale to No. 14, October 6, 1914
23	The Ilwaco Railway and Navigation Company	Name Change from No. 31 on October 2, 1888	Deed of Sale to No. 6, June 12, 1907

<u>No.</u>	<u>Name</u>	<u>Incorporation</u>	<u>Succession</u>
24	The Oregon Railroad and Navigation Company	Oregon, July 16, 1896	Deed of Sale to No. 1, December 23, 1910
25	Oregon Eastern Railway Company	Oregon, August 21, 1905	Deeds of Sale to No. 1, December 23, 1910, June 18, 1912
26	Idaho Northern Railroad Company	Idaho, January 10, 1906	Deed of Sale to No. 1, December 23, 1910
27	Spokane-Columbia River Railroad and Navigation Company	Washington, June 12, 1905	Deed of Sale to No. 19, March 29, 1906
28	Oliver W. Mink and Thomas P. Wilson, Receivers of the Union Pacific Railway Company	NA	Deed dated September 13, 1899, conveyed to No. 20, the railroad and terminal property known as Union Depot Property at Spokane, Washington
29	The Snake River Valley Railroad Company	Oregon, March 3, 1898	Deed to No. 21, the partially constructed line from Riparia, Washington, to Lewiston, Idaho, February 20, 1906; Deed of Sale to No. 1, conveyed railroad property and franchises dated December 23, 1910
30	Olympia Door and Lumber	Washington, June 4, 1892	Transferred its interest Company in spur track at Olympia to No. 22, February, 1906
31	The Ilwaco Steam and Navigation Company	Territory of Washington, February 23, 1875	Name change to No. 23, August 6, 1888
32	Walla Walla and Columbia River Railroad Company	Territory of Washington, December 28, 1868	Deed of Sale to No. 24, September 6, 1910
33	The Columbia and Palouse Railroad Company	Territory of Washington, June 29, 1882	Deed of Sale to No. 24, September 6, 1910
34	Boise & Western Railway Company	Oregon, September 13, 1909	Deed of Sale to No. 25, December 28, 1910

<u>No.</u>	<u>Name</u>	<u>Incorporation</u>	<u>Succession</u>
35	The Eastern Washington Railroad Company	Washington, December 5, 1904	Sale and Transfer to No. 27, June 21, 1905
36	Union Depot Company of Spokane Falls	Territory of Washington, July 20, 1889	Sold under Foreclosure Deed of Sale dated December 7, 1898 and December 14, 189 to No. 28
37	Clearwater Valley Railroad Company	Oregon, November 2, 1898	Deed to No. 21, dated April 14, 1910, Deed to No. 1, dated February 7, 1916
38	The Ilwaco Wharf Company	Territory of Washington, July 27, 1874	Deed of Sale to No. 31, November 22, 1886
39	A. Marcus, Chas. S. Fairchild and C. C. Beaman	NA	Deed dated August 17, 1896, conveyed the railroad property sold under foreclosure to No. 24
40	Mill Creek Flume and Manufacturing Company	Territory of Washington, March 1, 1880	Deed of Sale to No. 24, October 26, 1903
41	Oregon Railway and Navigation Company	Oregon, June 13, 1879	Sold under foreclosure dated July 18, 1896 to No. 39
42	The Oregon Railway Extensions Company	Oregon, May 25, 1888	Sold under foreclosure; Deed dated July 17, 1896 to No. 39
43	Washington and Idaho Railroad Company	Territory of Washington, July 7, 1886	Sold under foreclosure; Deed of Sale dated July 18, 1896 to No. 39
44	The Northern Pacific Terminal Company, of Oregon	Oregon, August 28, 1882	Deeded to No. 41 by contract dated June 3, 1890
45	Oregon Steam Navigation Company	Oregon, October 21, 1862	Deed of Sale to No. 41, March 31, 1880
46	The Oregon Steam Ship Company	Oregon, May 25, 1872	Deed of Sale to No. 41, February 26, 1880

<u>No.</u>	<u>Name</u>	<u>Incorporation</u>	<u>Succession</u>
47	Oregon Steam Navigation Company	Territory of Washington, December 16, 1860	Deed of Sale to No. 45, December 5, 1862
48	Harrison Olmstead and Sara Jane Olmstead, His Wife	NA	Deed dated November 6, 1862, conveyed locomotive, passenger, and freight cars, real and personal property and franchises to No. 47



**Indenture of Lease** made as of the first day of January, 1936, by and between OREGON-WASHINGTON RAILROAD & NAVIGATION COMPANY, a corporation of the State of Oregon, (hereinafter called the "Lessor"), and UNION PACIFIC RAILROAD COMPANY, a corporation of the State of Utah, (hereinafter called the "Lessee"):

1. PROPERTY DEMISED OR ASSIGNED

The Lessor does hereby lease, demise, assign and transfer to the Lessee, its successors and assigns, for the period and upon the terms and conditions hereinafter expressed, all and singular the following property (hereinafter collectively called "demised premises"), viz.:

(a) All lines of railroad, together with all rights, privileges, franchises and rolling stock and other property appertaining thereto, now or at any time during the term of this lease owned by the Lessor.

(b) All right, title and interest of the Lessor in and to all other lines of railroad, railroad terminals and other operating properties, together with all rights, privileges, franchises and property appertaining thereto, operated, used or possessed by the Lessor, solely or jointly with other companies, under or by virtue of leases, joint ownership agreements, grants of trackage rights, or other contracts, and all right, title and interest of the Lessor in and under all such leases, joint ownership agreements, grants of trackage rights and other contracts.

(c) All miscellaneous physical properties owned by the Lessor, and all right, title and interest of the



Lessor in and to miscellaneous physical properties used or possessed by it under lease or contract, and all right, title and interest of the Lessor in and under all such leases and contracts.

(d) All right, title and interest of the Lessor in and under any and all other ordinances, grants, easements and licenses held or enjoyed for the purposes of or in connection with the operation or use of the demised premises, and in and under any and all contracts for telegraph, express, Pullman car, or refrigerator car services and other contracts of every kind relating to the operation of the demised premises, whether now in force and effect or acquired or made during the term of this lease.

TO HAVE AND TO HOLD the demised premises and every part thereof, together with the right to collect and receive all tolls, rates and charges for the transportation of persons, property and mails thereover, and also all other income and revenues therefrom, to the Lessee, its successors and assigns, for its and their own use and benefit.

SUBJECT, HOWEVER, to all mortgages, liens and encumbrances, affecting the demised premises or any part thereof, and subject also to all leases, easements and contracts granting or licensing the use and occupation of any part of the demised premises which may have been granted or made by the Lessor, or its corporate predecessors, and which are now outstanding.

The Lessor will, from time to time, at the request of the Lessee, make, execute and deliver all such other and further leases, assignments and other instruments as shall be necessary or proper to accomplish the objects and purposes of this lease.

## 2. CURRENT AND DEFERRED ASSETS AND LIABILITIES

The Lessee will liquidate the current and deferred assets and liabilities of the Lessor, including such accounts classified as unadjusted debits and unadjusted credits as are in fact accounts collectible or payable, and defend or settle all claims, demands and suits growing out of the operations and business of the Lessor prior to the effective date hereof. To that end, the Lessor will pay and transfer and deliver to the Lessee on the effective date hereof all its cash on hand and in banks and all its material and supplies, and hereby assigns and transfers to the Lessee all accounts receivable and claims and demands arising out of or in connection with its operations and business prior to the effective date hereof. The excess of the aggregate book value of the cash, material and supplies, and other current and deferred assets of the Lessor over the aggregate book value of its current and deferred liabilities, as of the effective date hereof, shall be paid by the Lessee to the Lessor. It is assumed that any debit and credit items growing out of the operation of the demised premises prior to the effective date hereof which as of said date shall not be recorded in the accounts of the Lessor will substantially offset each other, and it is agreed that there shall be no accounting or settlement between the parties therefor, but that any benefit or loss therefrom shall accrue to or be borne by the Lessee. The foregoing provision as to unrecorded items shall not include liabilities or obligations of the Lessor chargeable to property investment accounts or otherwise incurred for capital purposes.

## 3. RENTAL

The Lessee agrees to pay to or for account of the Lessor during the continuance of this lease, as rent for the demised premises and as consideration for the as-

signments and transfers hereby made, payable at the end of each calendar year except as otherwise herein-after provided, the following amounts:

(a) The amount of all interest accruing for the duration of this lease on the funded indebtedness of the Lessor at the time outstanding, including such indebtedness owed to the Lessee; the same to be payable as and when such interest matures.

(b) The amount of depreciation upon rolling stock and equipment and of depreciation upon and depletion and amortization of any and all other property included in the demised premises, which shall be accrued or recorded by the Lessor in its accounts for the duration of this lease.

(c) The amount allowed for the duration of this lease as a deduction in computing the Federal income tax liability of the Lessor as amortization of bond discount, commissions and expenses.

(d) Such amount as may be reasonably required by the Lessor for maintaining and preserving its corporate existence and organization, but only in the event and to the extent that the Lessor shall not have income from other sources adequate for this purpose.

#### 4. TAXES AND ASSESSMENTS

The Lessee agrees to pay all taxes and assessments, becoming due and payable during the term of this lease, lawfully levied, imposed or assessed upon or in respect of the demised premises or any part thereof, or upon or in respect of the capital stock or franchises or income of the Lessor and all other taxes imposed upon or required

to be paid by the Lessor; excepting, however, taxes or assessments or portions thereof chargeable to property investment accounts, and taxes and assessments upon or in respect of investments or other property not hereby demised or upon the income of the Lessor therefrom, and other taxes and assessments to the extent that the same shall have been accrued in the accounts of the Lessor for the period prior to the effective date of this lease. Excepting taxes and assessments accrued in the accounts of the Lessor as aforesaid, no apportionment shall be made of taxes and assessments for the calendar or tax year in which this lease shall become effective.

#### 5. MORTGAGE AND CONTRACT OBLIGATIONS

The Lessee agrees to perform all covenants on the part of the mortgagor contained in any mortgage made by the Lessor or its corporate predecessors to which the demised premises or any part thereof are subject, except covenants to pay the principal of the indebtedness secured by such mortgage or underlying mortgages and except covenants to replace any part of the mortgaged properties. The Lessee assumes and agrees to perform and observe all obligations of the Lessor under any and all leases, trackage contracts, franchises, ordinances, easements, licenses and other contracts demised, assigned and transferred to the Lessee by this lease, or to which the demised premises or any part thereof may be subject; provided that all expenditures by the Lessee in performance of any of the aforesaid obligations which are chargeable to investment accounts shall be charged to and reimbursed by the Lessor, and that any moneys or other considerations received by the Lessee under any of said leases and contracts which are properly

creditable to investment accounts shall inure to and become the property of the Lessor. The Lessee shall have the right to secure the extension, modification or abrogation of any lease, trackage contract, franchise, ordinance, easement, license or other contract deemed by it desirable in the interest of the demised premises as a whole or advantageous in the operation thereof.

#### 6. MAINTENANCE AND OPERATION

The Lessee agrees to operate the demised premises and to maintain the same in a proper state of repair, and to bear all cost and expense thereof chargeable to operating expenses; and to indemnify and save harmless the Lessor against and from any liability, loss, cost, damage or expense arising from or by reason of any act or accident causing injury or damage to any person or property or otherwise growing out of or connected with the operation or maintenance of the demised premises. The Lessee shall assume and conduct in behalf of the Lessor, but at its own expense, all litigation, whether now pending or hereafter instituted, growing out of the operation or maintenance of the demised premises prior to the effective date hereof.

#### 7. PROPERTY ADDITIONS AND RETIREMENTS

The Lessee shall have the right to construct or acquire any additions to and betterments or extensions of the demised premises which it may deem desirable in the interest of the demised premises as a whole or advantageous in the operation thereof. All such additions, betterments and extensions made upon or to any part of the demised premises owned by the Lessor shall become and be a part of the demised premises and the property

of the Lessor and the Lessor shall reimburse the Lessee to the extent of the cost incurred by it therefor chargeable to property investment accounts. Upon the request of the Lessee, from time to time, the Lessor will, to the extent of its rights and powers, permit to be instituted and prosecuted in its name proceedings in the exercise of the right of eminent domain or otherwise for the acquisition of additional property, rights of way, rights to cross, intersect or connect with other railroads, or rights to cross rivers, canals or other waterways or public highways, which shall be deemed necessary or desirable for the purposes of additions to or betterments or extensions of the demised premises. The Lessee shall have the right also to abandon, retire, sell, exchange, lease, or otherwise dispose of any portions of the demised premises no longer required in its judgment for the proper operation of the demised premises, so far as consistent with the provisions of any mortgages or other contracts affecting such property. The Lessor will, upon the request of the Lessee, execute appropriate instruments of conveyance or lease of any property, sold, exchanged or leased under the foregoing authority, and, if any such property shall be subject to a mortgage or other lien, will take appropriate action, if requested by the Lessee, for the purpose of securing the release of such property from such lien. The Lessee will reimburse the Lessor for the book value of any portions of the demised premises abandoned, retired or destroyed, less depreciation and amortization which shall have been accrued or recorded in the accounts of the Lessor as to such property, and will itself bear all charges and losses consequent upon such abandonment, retirement or destruction. In case the Lessee shall desire to sell any portion of the demised premises under the foregoing authority, the property shall first be sold and conveyed by the



Lessor to the Lessee in consideration of an amount, to be credited to the Lessor, equal to the cost or other basis, provided by Federal income tax law then applicable, for determining gain or loss for the purpose of computing taxable income, and the Lessee shall then sell such property for its own account. For the purpose of reimbursing the Lessee for the cost of additions to and betterments and extensions of the demised premises chargeable to the Lessor, less credits upon abandonment, retirement, destruction and sales of property, under the foregoing provisions of this article, the Lessor, from time to time during the term of this lease, will, subject to any necessary governmental approval, upon request of the Lessee, make, execute, issue and deliver to the Lessee in such amounts as may be necessary for the purpose aforesaid bonds, notes or other evidences of indebtedness, as the Lessee shall elect, bearing such rates of interest and payable at such times as the parties hereto shall determine, and, if so requested by the Lessee, secured by mortgage upon the demised premises or any part thereof.

#### 8. TERM OF LEASE

This lease shall become effective on the first day of January, 1936, and shall continue in effect until December 31, 1936 and from year to year thereafter until terminated by either party, by at least three months' notice in writing of its election to terminate the same at the end of the calendar year then current, and either party shall have the right to terminate this lease as aforesaid. This lease and the provisions of the several sections hereof shall be construed as if, for each year, a separate lease was made and entered into containing the provisions hereof, but only for the fixed term of one year, and all of the payments to be made by Lessee

under any of the several sections of this lease shall constitute rental for the year in which the Lessee shall become obligated to make the same.

#### 9. SURRENDER OF DEMISED PREMISES ON TERMINATION

Upon the date on which the termination of this lease shall become effective the Lessee shall surrender the demised premises to the Lessor. To that end, the Lessee shall execute and deliver to the Lessor an appropriate instrument of release, reassignment, retransfer and quitclaim of the demised premises, and shall assign and transfer to the Lessor also all leases, franchises, ordinances, trackage contracts, easements, licenses and other contracts which the Lessee may have acquired or made during the continuance of this lease as appurtenant to the demised premises or in connection with the operation thereof and which shall then be in force and effect. The Lessee assumes no obligation to surrender the demised premises in the same condition as that in which they shall be received by it on the effective date of this lease, or to fully replace property worn out, retired, abandoned or destroyed, but its obligation shall be satisfied by the surrender of the demised premises in a proper state of repair. The Lessee shall furnish to the Lessor an adequate amount of material and supplies, and the Lessor shall pay therefor at their book value. The Lessee shall reimburse the Lessor for any taxes and assessments paid by it after the termination of this lease to the extent that the same shall have been accrued in the accounts of the Lessee prior to the date of termination hereof.

#### 10. SUCCESSORS AND ASSIGNS

This lease shall inure to the benefit of and be binding upon the successors and assigns of the parties hereto.



IN WITNESS WHEREOF the parties hereto have caused this indenture of lease to be executed (in several counterparts each constituting an original) by their officers thereunto duly authorized and their corporate seals to be hereunto affixed the day and year first above written.

OREGON-WASHINGTON RAILROAD &  
NAVIGATION COMPANY

(CORP. SEAL)

By HENRY W. CLARK,  
Vice President

Attest:

EDWIN M. KINDLER,  
Assistant Secretary

Signed, sealed and delivered by  
Oregon-Washington Railroad &  
Navigation Company in the pres-  
ence of:

DARWIN P. KINGSLEY, JR.,  
GEORGE A. ELLIS.

UNION PACIFIC RAILROAD COMPANY

(CORP. SEAL)

By F. W. CHARSKE,  
Chairman of the Executive  
Committee.

Attest:

E. G. SMITH,  
Secretary

Signed, sealed and delivered by Union  
Pacific Railroad Company in the  
presence of:

A. C. SHERWOOD  
FRED. G. REILLY

STATE OF NEW YORK }  
County of New York } ss.:

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On this 26th day of November, in the year A. D. 1935, before me, DARWIN P. KINGSLEY, JR., a notary public in and for the State and County of New York, duly commissioned and sworn, personally came and appeared HENRY W. CLARK and EDWIN M. KINDLER, to me personally known and known to me to be respectively the Vice President and Assistant Secretary of OREGON-WASHINGTON RAILROAD & NAVIGATION COMPANY, the corporation described in and which executed the within and foregoing instrument, and to be the persons who executed the within instrument on behalf of the corporation therein named, and said Henry W. Clark and Edwin M. Kindler severally acknowledged the said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and severally acknowledged to me that such corporation executed the same: and said Henry W. Clark and Edwin M. Kindler being by me severally duly sworn, upon oath did depose and say: that said Henry W. Clark resides in the Borough of Manhattan, City, County and State of New York; that he is the Vice President of the said corporation described in and which executed the above instrument; that said Edwin M. Kindler resides in Mount Vernon, in the State of New York; that he is the Assistant Secretary of the said corporation, described in and which executed the above instrument; that they know and are acquainted with the seal of said corporation; that the seal affixed to said instrument is the corporate seal of said corporation; that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors and of a resolution of said board, and that they signed their names thereto by like order; that they were authorized to execute said instrument; that the signatures to said instrument were made by officers of said corporation as indicated after said signatures; and that said corporation executed said instrument freely and voluntarily and for the uses and purposes therein mentioned.

My Commission expires on the 30th day of March, 1937.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

(NOTARIAL SEAL)

DARWIN P. KINGSLEY, JR.  
Notary Public in and for the County of  
New York and State of New York,  
residing in New York City.

STATE OF NEW YORK }  
 County of New York } ss.:

On this 26th day of November, in the year A. D. 1935, before me, DARWIN P. KINGSLEY, JR., a notary public in and for the State and County of New York, duly commissioned and sworn, personally came and appeared F. W. CHARSKE and E. G. SMITH, to me personally known and known to me to be respectively the Chairman of the Executive Committee and Secretary of UNION PACIFIC RAILROAD COMPANY, the corporation described in and which executed the within and foregoing instrument, and to be the persons who executed the within instrument on behalf of the corporation therein named, and said F. W. Charske and E. G. Smith severally acknowledged the said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and severally acknowledged to me that such corporation executed the same: and said F. W. Charske and E. G. Smith being by me severally duly sworn, upon oath did depose and say: that said F. W. Charske resides in Darien, in the State of Connecticut; that he is the Chairman of the Executive Committee of the said corporation described in and which executed the above instrument; that said E. G. Smith resides in New Rochelle, in the State of New York; that he is the Secretary of the said corporation, described in and which executed the above instrument; that they know and are acquainted with the seal of said corporation; that the seal affixed to said instrument is the corporate seal of said corporation; that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors and of a resolution of said board, and that they signed their names thereto by like order; that they were authorized to execute said instrument; that the signatures to said instrument were made by officers of said corporation as indicated after said signatures; and that said corporation executed said instrument freely and voluntarily and for the uses and purposes therein mentioned.

My Commission expires on the 30th day of March, 1937.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

(NOTARIAL SEAL)

DARWIN P. KINGSLEY, JR.  
 Notary Public in and for the County of  
 New York and State of New York,  
 residing in New York City.